

EIRFeature

Did unemployment top 32 million in U.S. in 1990?

by Laurence Hecht

What is the real unemployment rate in the United States, and how do we get the government to tell the truth about it?

Millions of people who are out of work and want a job are simply not counted by the government as unemployed. Millions more who work part-time jobs but need full-time work are also not counted. Yet those who work even one hour in a week get counted as employed. The result is a scandalous papering over of the real job crisis in the U.S.A.

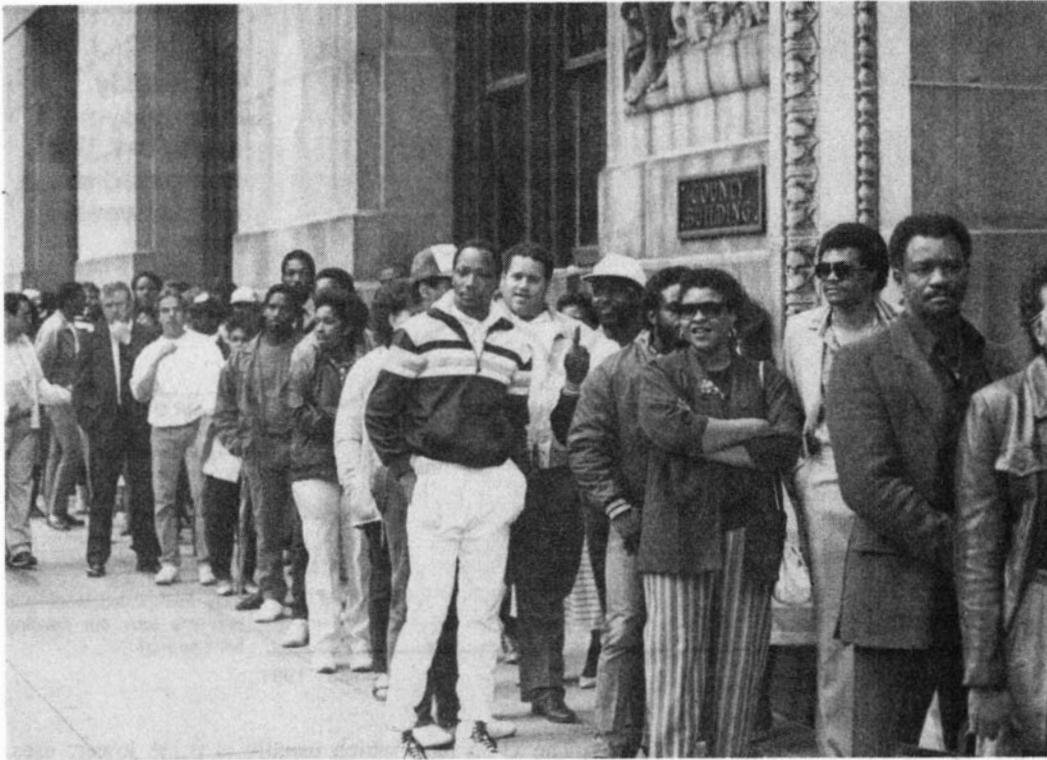
Using only the data available to and collected by the government agencies charged with this task, we will show you the truth behind the so-called "official" unemployment rate: where it comes from, how it is calculated, *and* what is left out. Then we will show you how to calculate from this same data, measures of unemployment 2-3 times what is reported.

Pay attention. This is something you can do something about. The Department of Commerce and the Department of Labor, and their respective Bureau of the Census and Bureau of Labor Statistics, work for you. The guidelines and definitions of terms they use are set by political debate. What you are hearing now is a self-serving tale from the same government whose economic policies are bringing us near to ruin. These agencies can be made to tell the whole story. Knowing the truth is the first step toward that.

What is 'unemployed'?

After reading this, you will never again regard the monthly "unemployment rate" as what its name sounds like it is. If Presidents, the media, and even so-called "opposition" congressmen wish to continue to cite these partial and self-serving statistics, contrived to mask the really serious levels of unemployment and suffering in the U.S. work force, they may do so. But let us now end their ability to claim they didn't know.

The monthly figures known as the unemployment rate and the total unem-



Rob Hart

As the unemployed become discouraged in finding a job and stop their search, the government no longer counts them as among the "unemployed."

ployed, which you see published in your newspaper or described on radio or television, are not a measure of the total number of people out of work. The figure includes only those people from a statistical sample who tell a Census Bureau poll taker that they, or the person in their household on whom they are reporting, made a specific effort to find a job *in the previous four weeks*. Nearly 6 million people who want a job are immediately written off by this procedure and classified as *not in the labor force*. But the government knows they are there. Let us look inside the process of data collection that leads to this result.

Every month, trained interviewers working for the Bureau of the Census visit about 60,000 households as part of the monthly survey known as the Current Population Survey (CPS). The households, which are constantly changing, are scientifically selected to represent the civilian non-institutional population (that is, people over 16, not in the military, and not institutionalized in public or private facilities). Someone from each of 57,400 households, representing 1,973 geographic areas in the United States, is actually talked to each month. Respondents are asked about the employment status of each member of the household 16 years of age or over during the calendar week, Sunday through Saturday, which contains the twelfth day of the month. This is known as the survey week.

Any household members who did *any work at all* during the survey week, as paid employees, in their own business or profession, or on their own farm, are counted as *employed*.

One hour of work in a week is a "job" by this standard. People not at work because of illness, bad weather, vacation, labor disputes, or other reasons are counted as *employed*. Members of the Armed Forces stationed in the United States are also included in the total *employed*.

If a person does not have a job or business, that does not mean he is then counted as unemployed. To be counted as officially *unemployed*, he or she must have made a specific effort to find employment within the last four weeks—even if that person wanted a job and had specific reasons for not looking during that time. (There are only two exceptions: If you were laid off and waiting to be recalled to your job, or were waiting to report to a new job within 30 days, you would qualify as unemployed.)

What is the 'labor force'?

If you did not work at all during the survey week, and you did not meet the strict criterion of *unemployed* now used by the Bureau of Labor Statistics, you fall into a second and very large category known as *not in labor force*. Everyone over 16 who is not institutionalized is going to be either in the *labor force* or *not in labor force*.

As of March 1991, we had a non-institutional population of 190,703,000. Of these, 126,786,000 were in the *labor force*, and 63,917,000 were *not in labor force*. The total *labor force* is made up of the *employed* (118,214,000), and the *unemployed* (8,572,000), as determined by the definition above. Other people who may think they are unemployed

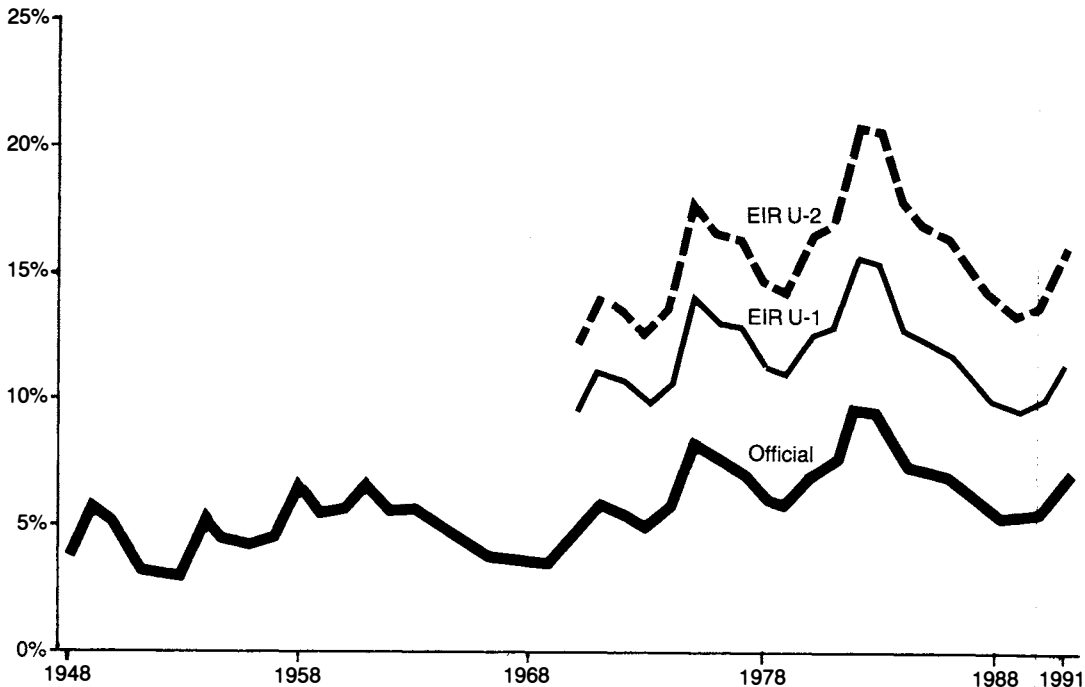


FIGURE 1
EIR weekly unemployment rates, U-1, U-2, compared to official weekly rate

The EIR U-1 and U-2 unemployment measures were created to count the millions of jobless not counted in the official rate. U-1 adds to the official "unemployed" all those who answer government surveys saying they "want a job now." U-2 adds to that the partially unemployed, working in part-time jobs but needing full-time work.

but did not meet the criterion of having looked for a job in the last four weeks are considered *not in labor force*.

Subtract the members of the Armed Forces (counted as 1,460,000 in March 1991) from the total *labor force*, and you have the *civilian labor force*. This figure was 125,326,000 in March 1991. It is important because it is used as a base for the most commonly reported *unemployment rate*.

A somewhat larger number than the *labor force* is the *total who worked or looked for work*. For 1989, the last year for which this figure is available, the *total who worked or looked for work* was 133,444,000. That compared to a total *labor force* of 119,030,000, and a *civilian labor force* of 117,342,000.

What is the 'unemployment rate'?

Now you know what *unemployed* means in government statistics. What is the unemployment rate?

There are actually seven rates released monthly on the first Friday of the month by the Bureau of Labor Statistics. These are known as measures U-1 to U-7. They yield percentages which varied for the first quarter of 1991 from 1.8%, by measure U-1, to 9.8%, by measure U-7. But even measure U-7, the highest, does not count all the people who are out of work, who want a job, and who almost surely consider themselves "unemployed."

The Bureau of Labor Statistics' U-5b *unemployment rate* is the one you almost always hear cited in newspaper and broadcast media reports. Very rarely does anyone beyond a labor force economist see anything but the U-5b rate. It is arrived at by dividing *unemployed* by *total civilian labor*

force. The U-5a rate, which usually is 0.1% lower, uses *total labor force*, rather than *civilian labor force* in the denominator. The U-5b rate for the first quarter of 1991 was 6.5%. For the month of April it was 6.6%; in May, it went up to 6.9%.

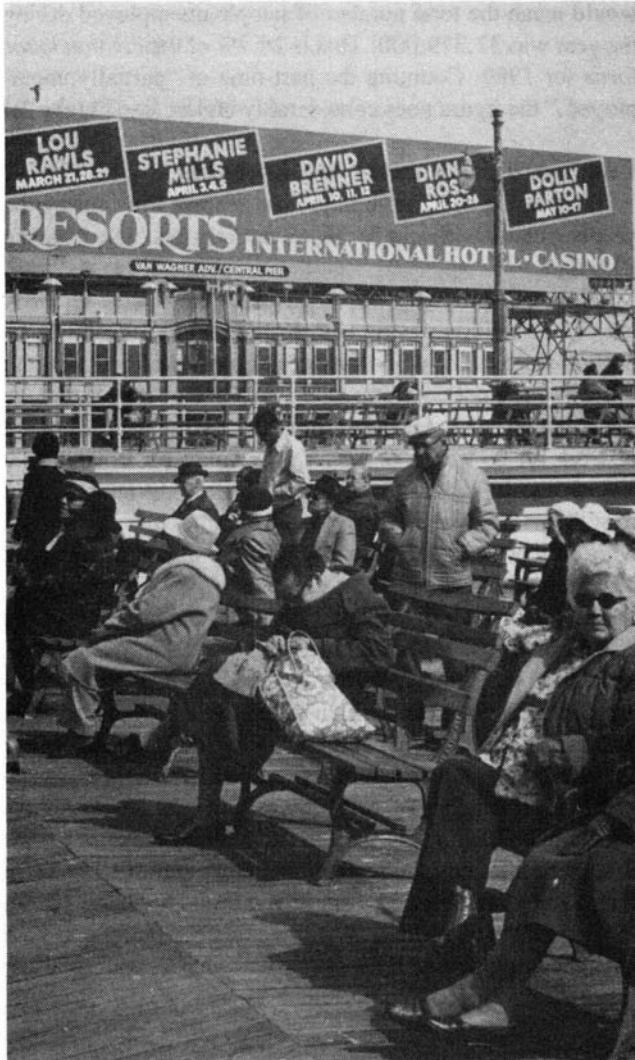
The U-5b measure, sometimes referred to as the "official" rate, is not, strictly speaking, official. The official policy of the Bureau of Labor Statistics (BLS), which you will be told if you call there and ask, is that the oft-cited U-5b unemployment rate by itself does not tell you what is going on in unemployment.

"We always tell the media this. Sometimes they will publish the other information we put out with it. But a lot of people just look at the one figure, as telling the whole story," this reporter was told recently by a new employee who answered the phone in the Labor Force Statistics division of the BLS.

Still, the U-5a and U-5b measure is published and set in boldface type, presumably to stand out from the other six rates, every month in Table A-8 of the BLS information release called the *Employment Situation*. It is the one nearly always cited by the President and congressmen as well as by most press. Few people know of any other. It is hard to believe the BLS is doing much to combat what they seem to say is a misrepresentation of their data.

Are there better measures of unemployment?

After careful study of the BLS figures, it became clear to this writer that even the U-7 rate of the BLS (8.2% in 1990)—their highest—seriously underestimates the number of people without jobs whom the government knows about. The so-



A billboard advertisement for Resorts International casino in Atlantic City, New Jersey. While jobs in the gambling "industry" have been integrated into the legitimate economy, government surveys indiscriminately include illegal activities in their category of "employed."

called broader picture outlined in the monthly *Employment Situation* report also drastically understates the problem. Every one of the rates currently used by the BLS understates the real joblessness situation because the definition of *unemployed* leaves out so many people who tell interviewers they want work.

Calculating the *EIR* U-1 rate: With some change in this definition, millions of people now classified as *not in labor force* reappear as really in need of, and wanting work. These numbers have been already compiled by the government surveys. For example, by expanding the definition of *unemployed* to include all those who *want a job now*, a category compiled monthly by the Bureau of Labor Statistics, we

would have added 5,728,000 jobless people to the average weekly number of unemployed for the first quarter of 1991. This would have changed the U-5b average unemployment rate for that quarter from 6.6% to 11.1%. It would have meant an average weekly number of 13,877,000 *unemployed* persons. The progress of the *EIR* U-1 rate of unemployment over recent years can be followed in **Figure 1**.

Calculating the *EIR* U-2 rate: There are also a large number of people each month who are forced into part-time employment because they cannot find a full-time job, or their full-time job has become, at least temporarily, part-time. These are classified in the BLS statistics as *part-time for economic reasons*; they are sometimes known as the "partially unemployed." There were 5,911,000 such people each week on average during the first quarter of 1991. By including them in the measure of unemployment, the average weekly rate increases to 15.8%, and counts 19,788,000 people as *unemployed or partially unemployed* each week during the first quarter of 1991. The *EIR* U-2 rate is also shown in Figure 1.

No annual rate

The second biggest problem with the way the government reports unemployment is the lack of an annual rate. All seven unemployment rates produced by the government count only the average number of people out of work in a week. What about the total number unemployed over the whole year? The Gross National Product is not reported as a weekly average. Neither is the balance of trade. And Presidents have been known to brag about the number of *new jobs* created in a year. But rarely if ever do we hear of the number of jobless in a year.

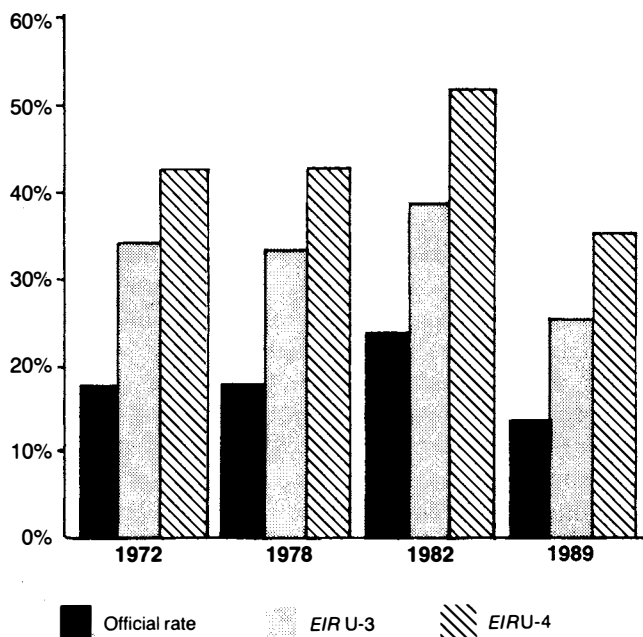
The government has a figure for the number of such people, as measured by their restrictive unemployment rate, and if you dig deep enough, you will find it. In 1989 it was 17.3 million, producing an annual unemployment rate of 13.9%. But that is only about half the story. This figure, along with all the other annual survey data, comes from an expanded CPS survey done each March which asks about the work experience of each household member during the entire previous year. The results of this survey are released each August in a special BLS press release. They are otherwise hard to come by. The last one (USDLE 90-447, Aug. 28, 1990), found that *the total number of persons who were unemployed during 1989, at 17.3 million, was more than 2.5 times the average monthly unemployment level of 6.5 million.*

Taken as a percentage of the *civilian labor force*, that gives an annual unemployment rate of 13.9%, in a year in which the widely publicized monthly figures averaged 5.3%!

To derive an annual unemployment rate that counts the whole picture, like the *EIR* U-1 and U-2 weekly rates, we must resort to estimation. The estimating procedure is as follows:

FIGURE 2

EIR annual unemployment rates U-3, U-4 compared to official annual rate



If the total unemployed in the whole year was 2.5 times the monthly average (specifically it was 2.64 times), then we could estimate that the total who were out of work for longer than a week but wanted a job right away, was also 2.64 times larger. That would add 15,122,000 people to the number who were unemployed some time during the year. That

would mean the total number of people unemployed during the year was 32,379,000! That is 26.1% of the *civilian labor force* for 1989. Counting the part-time or “partially unemployed,” the figure goes considerably higher (see Figure 2).

Few work 50 or more weeks a year

That figure of 32 million jobless at some time during the year correlates with another figure directly available from the BLS data.

You will probably be surprised to learn that in 1989, out of 132 million people who worked that year, almost 42 million were out of work for three or more weeks during the year. We are not counting paid vacations or sick leave; we mean out of work. Of the 42 million, 20.7 million were out of work for 26 weeks or longer (see Table 1). If we deduct a generous 10 million from the 42 million, to take account of students who voluntarily gave up summer jobs, and others who only wanted temporary work, we arrive again at 32 million unemployed in 1989.

So the answer to the question, “Did unemployment top 32 million in 1990?” is: most probably, yes. By two different estimating procedures, the best available to us since the government surveys do not ask the questions that would give us the answer, there were 32 million unemployed in 1989. Since the weekly unemployment rates went considerably higher in 1990, we can be pretty certain that when the yearly figures are published in August, we will calculate by the same means used here that the total number of people out of work more than a week and wanting a job at any time during the year in 1990 was over 32 million. When we succeed in forcing some changes in government reporting procedures, we can know for sure.

TABLE 1

Number of people working fewer than 50 weeks per year (thousands)

| | 1958 | 1968 | 1972 | 1978 | 1982 | 1989 |
|--|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Civilian non-institutional population* | 114,849 | 133,639 | 146,230 | 164,027 | 173,656 | 187,524 |
| Total who worked or looked for work (As % of non-institutional population) | 78,787 68.6% | 91,480 68.5% | 99,730 68.2% | 114,464 69.8% | 120,235 69.2% | 133,444 71.2% |
| Worked 49 weeks or fewer | 32,054 | 33,426 | 37,461 | 43,400 | 46,450 | 41,965 |
| Full-time | 20,345 | 20,981 | 22,450 | 25,670 | 25,602 | 23,726 |
| Part-time | 10,039 | 11,195 | 12,935 | 15,601 | 16,890 | 16,662 |
| Not at all | 1,670 | 1,250 | 2,076 | 2,129 | 3,958 | 1,577 |
| Worked 26 weeks or fewer | 17,483 | 18,591 | 21,433 | 23,244 | 25,651 | 20,734 |
| Full-time | 8,799 | 9,866 | 10,756 | 11,626 | 11,496 | 9,480 |
| Part-time | 7,014 | 7,475 | 8,601 | 9,489 | 10,197 | 9,677 |
| Not at all | 1,670 | 1,250 | 2,076 | 2,129 | 3,958 | 1,577 |

* as of month of annual survey in following year

Source: BLS, *Handbook of Labor Statistics*, 1989, Table 49; Current Population Survey annual data for 1989 (USDL 90-447, Aug. 28, 1990).

TABLE 2

EIR average weekly rates, U-1 and U-2, compared to 'official' rate
(percent)

| | 1972 | 1978 | 1982 | 1990 | 1st qtr. 1991 |
|-------------------------------|------|------|------|------|------------------|
| EIR U-1 Rate ¹ | 10.8 | 11.4 | 15.6 | 9.9 | 11.1 |
| EIR U-2 Rate ² | 13.6 | 14.6 | 21.0 | 13.8 | 15.8 |
| 'Official' Rate ^{2a} | 5.6 | 6.1 | 9.7 | 5.5 | 6.5 |

1. Looked for work in last four weeks, plus "want a job now" (civilian labor force).

2. Looked for work in last four weeks, plus "want a job now," plus "part-time for economic reasons" (civilian labor force).

2a. Looked for work in last four weeks (civilian labor force) (equivalent to BLS rate U-5b).

The EIR U-series unemployment rate measures

The unspoken implication of the government's "official" U-5b rate is that if you didn't make a specific job search in the last four weeks, you're not serious about getting a job, and therefore you shouldn't be counted as unemployed. One might be tempted to call it the Simon Legree definition of unemployment. What if you had no chance and you knew it? If you and several thousand other workers were just laid off from a plant in a one-industry town, what are your chances of finding work? Take a look at New England, or the Midwest "rust belt" to see how that works. If you work as an unskilled farm laborer, and it's off-season, what are your chances of finding work? If you've been looking and getting nowhere, and left your name at a dozen places that said, "Don't call us, we'll call you," what are your chances?

The basic assumptions of the EIR U-series are only two: 1) That if someone answers a survey saying they "want a job now," a fairly strong case can be made that that person is *unemployed*. They probably think so. The EIR U-1 weekly rate and the U-3 annual rate (estimated) count these people. The BLS unemployment rates do not. 2) That if someone is forced into part-time unemployment, perhaps as little as one hour, when they need full-time work, they are at least partially *unemployed*. The EIR U-2 weekly rate and the U-4 annual rate count these people in addition to those above. The BLS unemployment rates do not (see Table 2 and 3).

We have created the EIR U-series unemployment measures to recognize these people, fully realizing that there may be millions more uncounted. For example, the Census Bureau now estimates about 5 million people uncounted in the 1980 census. A preponderance of these are thought to be from the lowest rungs of the economic ladder. We can assume that these are the same people who slip through the net of the monthly Current Population Survey. One can assume, therefore, that a high rate of unemployment prevails

TABLE 3

EIR annual rates, U-3, U-4, compared to 'official' rate
(percent)

| | 1958 | 1963 | 1968 | 1972 | 1978 | 1982 | 1989 |
|-------------------------------|------|------|------|------|------|------|------|
| EIR U-3 Rate ¹ | — | — | — | 34.1 | 33.4 | 38.8 | 25.4 |
| EIR U-4 Rate ² | — | — | — | 42.9 | 42.9 | 52.0 | 35.4 |
| 'Official' Rate ^{2a} | 20.9 | 19.8 | 14.4 | 17.7 | 17.8 | 24.0 | 13.9 |

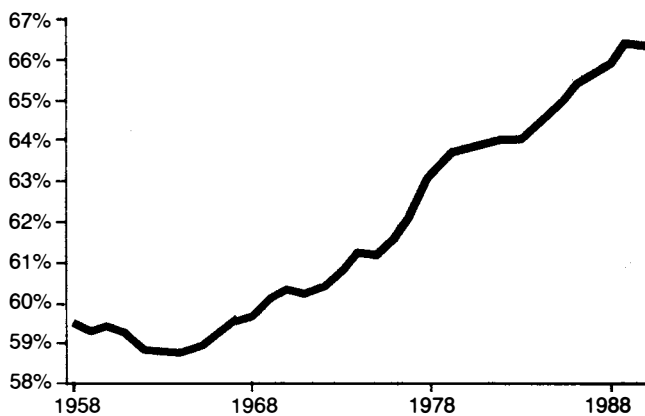
1. Annual looked for work in last four weeks, plus "want a job now" (est.) (civilian labor force).

2. Annual looked for work in last four weeks, plus "want a job now" (est.) plus part-time for economic reasons (est.) (civilian labor force).

2a. Official annual unemployed (civilian labor force).

FIGURE 3

Civilian labor force as a percentage of population (1958-1990)



Source: BLS Employment and Earnings.

precisely where the uncounted are.

The destruction of the family

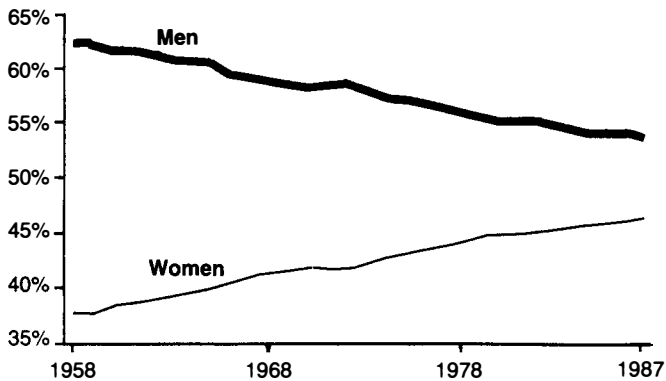
Even though the unemployment rate measures are high, they remained below the 1958 recession level for some time in the 1980s. For May 1991, the official figure of 6.9% was the first time in four and a half years that that level was exceeded. Does that mean that the labor force or the economy as a whole was better off in the 1980s than in the 1958-63 period? It would be foolish to think so.

One big reason the unemployment rate seemed lower than it might have over that period, is that the civilian labor force (the denominator in the unemployment rate formula) increased so much. Figure 3 shows the increase of the civilian labor force as a percentage of the total non-institutional population. After remaining fairly constant (even de-

FIGURE 4

Changing composition of work force

(Men and women as % of total who worked or looked for work)



Source: BLS, Handbook of Labor Statistics, Table 50.

clining for several years) from 1958 to 1968, you can see it took a sharp and steady turn upward.

Basically, what you are looking at there is the destruction of the working class family in America. It was part of the "paradigm shift" that the proponents of the New Age brought about, beginning about 1963 and accelerating towards 1968 and into the 1970s.

The trend was so severe that in the later 1970s, a government commission eliminated the category of "worker with three or more dependents" from many social statistics. He didn't exist anymore. More and more mothers had to go to work (see **Figure 4**), families broke up, exotic new kinds of living arrangements developed, fewer children were born. But almost everybody, whatever their "lifestyle" or "sexual preference," worked more and got paid less.

New "lifestyles" were only part of the story. Declining real wages were another and probably bigger part. Real spendable earnings have been on a long-term secular slide since about 1967-68. In March, they fell below the 1959 level of \$77.62. That is, in 1959 dollars, the average production or non-supervisory worker earned \$77.13, even though his or her paycheck read \$346.06. To maintain the family living standard, mom and the kids had to work (child labor is up, too). It wasn't a matter of choice.

So that's one reason that up until the middle of last year, more jobs than ever had been created. Don't call it a "boom" or "recovery," if everybody is working more and getting paid less. Especially if monetary and trade arrangements, banking practices, and rigged "free" markets in commodities, set up a situation where the rich nations, and the U.S. more than others, are stealing from the poor nations to maintain their apparent standard of living.

There's another side to this so-called boom of job cre-

ation. These are not all full-time jobs, and, as we saw, not all year-round jobs. Of the 132 million people who worked in 1989, only 80 million worked in full-time, year-round (50 weeks or more) jobs. That's only 61% of the jobs that are full-time real jobs. And not everyone who worked the part-time and the temporary jobs wanted to. It is suspected that a growing proportion of them are people being "recycled" from better to worse-paying jobs and from full-time to part-time employment.

A last point to recognize about these statistics is that the *employed* category does not necessarily measure the quality of the job held. You only had to work one hour in the week to be classified as *employed* by the government survey. (Compare that to the difficulty of qualifying as *unemployed* even if you don't have a job).

One measure of worsening economic and social conditions is the growth of the underworld. Yet, many criminals are *employed*. The Current Population Survey does not ask whether a job is legitimate. One can sympathize with the difficulty of a census taker, face-to-face in a person's household, having to ask such a question. But a mafia hit man, a drug dealer, or a prostitute is *employed* by the survey's measure if they or someone in their household says they worked last week. Occasionally someone in this category tells the census taker what they do. Thus, in the detailed industrial classification of the CPS results, various underworld occupations appear.

Who's to blame?

Intelligent statisticians in the Department of Labor and the Department of Commerce, including many who provided information for this article, know that no single figure can characterize a process so complicated as the unemployment level. But, they also know how the figure chosen to characterize so politically important a process as unemployment is going to be used. Some responsibility for objecting to the dissemination of what they must know is a false reading of unemployment levels should lie with the employees of these bureaus themselves. Morally, anyone who knows this kind of cruel misrepresentation is going on is obligated to try to stop it, whatever their degree of legal responsibility.

But direct responsibility for the policies of these bureaus lies with the President, who selects the cabinet appointees who run the departments, and with Congress. If you want to get it changed, that's where to go.

We suggest that concerned citizens take the *EIR* unemployment rates and show them to the relevant elected officials, so that a bit of a stink might be raised over this in Washington. They might even like to know. One of the reasons your congressman may look and sound so stupid to you, is that he believes the official unemployment rates. Perhaps he ought to know better. For those who may not care, up to and including the President, we can at least eliminate their ability to pretend they don't know any better.

DERAIL NAFTA

fast track to rule by the big banks

EIR Special Report, May 1991

Auschwitz below the border: Free trade and George 'Hitler' Bush's program for Mexican genocide

Right now, your congressman may be voting to authorize the Bush administration to negotiate a treaty with Mexico that will mean slave labor, the rampant spread of cholera, and throwing hundreds of thousands of workers onto the unemployment lines—on *both* sides of the border—all for the purpose of bailing out the Wall Street and City of London banks.

Doubt it? Then you haven't looked into NAFTA, the North American Free Trade Agreement that George Bush and his banker buddies are trying to railroad through Congress on a "fast track."

In this 75-page Special Report, *EIR's* investigators tell the truth about what the Bush administration and the media have tried to sell as a once-in-a-lifetime opportunity to get economic growth started across the Americas. The Wall Street crowd—led by none other than David Rockefeller of Chase Manhattan—are going berserk to ram this policy through. Rockefeller threatened in May, "Without the fast track, the course of history will be stopped." With this report, *EIR's* editors aim to stop Rockefeller and his course of history—straight toward a banking dictatorship.

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